DOCUMENT RESUME

ED 393 368 HE 029 043

TITLE	State University of New York College at Old Westbury: Selected Financial Management Practices. Report 95-S-52.
INSTITUTION	New York State Office of the Comptroller, Albany. Div. of Management Audit.
PUB DATE	28 Mar 96
NOTE	25p.
PUB TYPE	Reports - Evaluative/Feasibility (142)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	Accounting; College Administration; Electronic Equipment; Expenditures; Facility Inventory; *Financial Audits; Financial Policy; Higher Education; Income; *Money Management; Office Practice; Payroll Records; School Funds
IDENTIFIERS	Accounts Receivable; *State University of New York Coll at Old Westbury

ABSTRACT

This audit report of State University of New York College at Old Westbury (OW) examined internal controls over cash, accounts receivable, student accounts, payroll checks, equipment and computer systems and whether these controls provided adequate safeguards and accurate records. The study audited the period April 1, 1993 through February 28, 1995 in accordance with generally accepted government auditing standards. The audit found that improvements were needed in OW's internal controls over cash collections and disbursement, accounts receivable, equipment inventories, and computer systems. Specific findings included the following: (1) improved controls over cash receipts are needed to ensure that checks are endorsed restrictively on receipt and deposited promptly; (2) at the time of audit OW had more than $113,000 in checks on hand that had not been deposited including 60 checks that had been on hand for up to two months; (3) delinquent student accounts were not being reviewed and referred to the Attorney General in a timely manner; (4) vending machine concessionaires underpaid OW by about $12,000; (5) controls over OW's $11 million equipment inventories needed strengthening; and (6) back-up copies of computer files were being stored so close to the main system that their safety could not be ensured in case of disaster. Appendixes contain comments of SUNY officials and a list of contributors to the report. (JB)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 393 368

State of New York
Office of the State Comptroller
Division of Management Audit

STATE UNIVERSITY OF NEW YORK
COLLEGE AT OLD WESTBURY

SELECTED FINANCIAL MANAGEMENT PRACTICES

REPORT 95-S-52

BEST COPY AVAILABLE

H. Carl McCall

Comptroller

PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL HAS BEEN GRANTED BY

State of New York

Office of the State Comptroller

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

State of New York
Office of the State Comptroller

Division of Management Audit

Report 95-S-52

Mr. Thomas A. Bartlett, Ph.D.
Chancellor
State University of New York
State University Plaza
Albany, NY 12246

Dear Dr. Bartlett:

The following is our audit report on selected financial management practices of the State University of New York College at Old Westbury.

This audit was performed pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law. Major contributors to this report are listed in Appendix A.

Office of the State Comptroller
Division of Management Audit

March 28, 1996

In an effort to reduce the costs of printing, if you wish your name to be deleted from our mailing list or if your address has changed, contact Raymond W. Cecot at (518) 474-3271 or at the Office of the State Comptroller, Alfred E. Smith State Office Building, 13th Floor, Albany, NY 12236.

Executive Summary

State University of New York
College at Old Westbury
Selected Financial Management Practices

Scope of Audit

The State University of New York (SUNY) College at Old Westbury (OW), located on a 605-acre campus in Old Westbury, Nassau County, offers 41 degree and 2 certificate programs. For the 1993-94 academic year, OW had approximately 4,000 students. For the 1993-94 fiscal year, OW expenditures were $24 million, of which $17.4 million were for personal services.

Our audit addressed the following question about OW's internal controls over cash, accounts receivable, student accounts, payroll checks, equipment and computer systems:

- Do the controls provide adequate assurance that assets are safeguarded properly and that transactions are appropriate and recorded accurately?

Audit Observations and Conclusions

We found that improvements are needed in OW's internal controls over cash collections and disbursements, accounts receivable, equipment inventories, and computer systems.

During the 12-month period ended June 30, 1994, OW collected about $14.6 million. OW needs to improve controls over these cash receipts to ensure that checks are endorsed restrictively upon receipt, and deposited promptly in the bank. At the time of our audit, OW had more than $113,000 in checks on hand that had not been deposited or endorsed restrictively. These included 60 checks, totaling about $99,000, that had been on hand for up to two months. We also noted a lack of separation of duties in the Bursar's Office (Bursar) where most of the cash is collected. A Bursar employee, who is responsible for receiving checks in the mail, occasionally functions during registration periods as a cashier with access to the accounting records. As a result, cash is at increased risk. (see pp. 3-5)

Most of the cash disbursements made by OW are refunds to students resulting from changes in enrollment status or the receipt of funds from loans, scholarships and financial aid. We identified that, in July 1994, OW prepared $21,253 in refund checks to students. The refund checks were prepared during OW's conversion to a new accounting system to offset negative (credit) balances in student accounts so that account

conversion could take place. However, OW did not perform a timely review of the need to issue or to void these checks and some were still on hand in October 1994. (see pp. 5-6)

As of June 30, 1994, OW had approximately $1.412 million of student accounts receivable, including about $657,000 that had been referred to the Attorney General (AG), $220,000 from the 1994 Summer session, and $148,000 that represented undistributed financial aid and other receipts. The balance, about $387,000, was active receivables. Although SUNY's Administrative Policy allows OW to cancel the registration of any student who owes funds from the previous semester, a problem with the new accounting system prevented OW from doing this during the 1994 Summer and Fall sessions. In addition, we found that accounts are not being reviewed and referred to the AG timely. We believe that SUNY's current fiscal constraints require OW to make the collection of receivables a priority. (See p. 7)

We also found that the campus vending machine concessionaire underpaid OW approximately $12,000 for the 1994 calendar year based upon stated contract terms. We recommended that OW either collect the amounts required by the contract or amend the contract accordingly. In addition, controls over facility rental fees need to be improved. (see pp. 8-9)

Controls over OW's equipment inventories, which have a reported replacement value of $11 million, need to be strengthened. We noted that OW does not conduct annual physical inventories; and that when inventories are conducted, they are not done by employees who are independent of the departments involved. (see pp. 11-12)

Cash collections and disbursements, student accounts receivable, and maintenance of student records are important OW management functions that depend heavily on computerized information systems. We determined that the back-up copies of computer files were being stored so close to the main system that their safety could not be ensured in case of a disaster. At our suggestion, OW management moved these files to a more appropriate site. We also recommended that OW prepare a formal, written policy and procedures manual regarding computer security practices. (see p. 13)

Comments of SUNY Officials

SUNY officials concur with most of our recommendations and indicate that steps are being taken to implement them.

Contents

Introduction	Background	1
	Audit Scope, Objective and Methodology	1
	Internal Control and Compliance Summary	2
	Response of SUNY Officials to Audit	2
Cash and Payroll Check Controls	Deposit of Receipts	3
	Separation of Duties	4
	Student Disbursement Checks	5
Accounts Receivable	Collection Procedures	7
	Vending Machine Commissions	8
	Facility Rentals	8
Equipment Controls		11
Computer Security		13
Appendix A	Major Contributors to This Report	
Appendix B	Comments of SUNY Officials	

Introduction

Background

The State University of New York (SUNY) College at Old Westbury (OW) is located on a 605-acre campus in Old Westbury, Nassau County. Through its 15 academic departments, OW offers 41 registered degree programs, awarding the Bachelors of Arts, Science and Professional Studies degrees, and two certificate programs in Spanish and French.

For the 1993-94 academic year, approximately 4,000 students were enrolled at OW. Of these, 72 percent were full-time and 28 percent were part-time. About 800 students lived on campus in 9 residence halls during the same year. For the 1993-94 fiscal year, OW had expenditures of $24 million, including $17.4 million in personal service costs for 473 full-time and 120 adjunct employees.

Audit Scope, Objective and Methodology

We audited selected OW financial management practices for the period April 1, 1993 through February 28, 1995. The objective of our financial-related audit was to determine whether OW instituted an adequate system of internal controls over funds received and disbursed, payroll check distribution, accounts receivable, equipment inventories and computer systems. To accomplish our audit objective, we reviewed OW's policies and procedures, applicable rules and regulations, and appropriate documentation. We also interviewed OW and SUNY management and staff.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those OW operations that are included within the audit scope. These standards also require that we understand OW's internal control structure and its compliance with those laws, rules and regulations that are relevant to OW operations included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records; and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions, and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on those operations that have been identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite

audit resources are used to identify where and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may be relatively efficient and effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

Internal Control and Compliance Summary

Our consideration of OW's internal control structure focused on controls over cash receipts and disbursements, payroll check distribution, accounts receivable, equipment inventories and computer systems. We identified weaknesses in these controls. These weaknesses are described in the sections of this report entitled "Cash and Payroll Check Controls," "Accounts Receivable," "Equipment Controls," and "Computer Security." We identified no instances of noncompliance with applicable laws, rules and regulations relevant to the objectives of our audit.

Response of SUNY Officials to Audit

A draft copy of this report was provided to SUNY officials for their review and comment. Their comments have been considered in preparing this report and are included in Appendix B.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Chancellor of the State University of New York shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Cash and Payroll Check Controls

The OW Bursar's Office (Bursar) is the primary location for cash receipts. The Bursar processes all student payments received at the cash counter and through the mail, and also receives funds for deposit from other cash-collection locations on campus. During the 12-month period ended June 30, 1994, OW collected approximately $14.6 million, most of which was processed by the Bursar. The Bursar also processes cash disbursements associated with student accounts, including refunds to students, and usually distributes OW employee payroll checks.

Effective internal controls over cash require prompt deposits of receipts, restrictive endorsement of checks, separation of duties, proper use of accounting records, and adequate supporting documentation for disbursements. OW's controls in each of these areas need to be improved to ensure the safekeeping of cash and the integrity of financial records and transactions. We also found that payroll office employees, who were responsible for making payroll changes, had access to the paychecks.

Deposit of Receipts

All checks should be endorsed restrictively "For Deposit Only" as soon as practical after receipt and should be deposited at least weekly. Our review of cash on hand in the Bursar's safe found that OW is not making prompt deposits. Our December 13, 1994 review of the contents of the Bursar's safe found $113,751 in checks on hand. Six of these checks, with a total value of $4,750, were more than six months old; as such, they may not have been negotiable. OW officials stated that ultimately five of these checks, with a total value of $2,450, were returned to the senders and three had to be reissued. The sixth check, drawn for $2,300, was ultimately deposited. The remaining checks included 60 valued at about $99,000 which were on hand for up to two months, and 60 others valued at about $10,000 which were on hand for longer than two months, but less than six months. In addition, none of the checks on hand had been endorsed restrictively.

Bursar procedures are that all checks received be endorsed restrictively after they have been recorded on OW's computerized accounting system. However, at the time of our audit in December 1994, the Bursar was not able to record some types of transactions on the new accounting system, which was implemented in July 1994. Nevertheless, a difficulty with processing transactions should not preclude timely restrictive endorsement of checks, since unendorsed checks are more vulnerable to loss. (OW officials report that staff have since become more familiar with the new system, alleviating this problem.)

OW's Clark Recreational Center (Center) provides recreational facilities for members of the OW community for a fee. To ensure that all necessary fees are collected, the Center should maintain membership records that can be compared to amounts collected and deposited. In addition, press-numbered receipt forms should be sequentially issued to control the collection of fees.

We found that the Center maintains no membership records; and although it does have press-numbered receipt forms, they are not always issued in sequence. In addition, Center staff maintain no inventory records or logs to account for all of the receipts. We also found that cash receipts are not forwarded to the Bursar on a timely basis. Our December 6, 1994 cash count revealed $189 on hand collected at the Center as far back as September 17, 1994. Without proper controls, we could not be assured that all fees collected by Center staff had been recorded or deposited. Moreover, without membership records, nonmembers and other unauthorized persons could have been using the facilities.

Separation of Duties

Effective internal controls require that no employee have access to both cash and the accounting records or systems that ensure accountability over cash. This is a critical separation because without it records can be improperly adjusted to conceal problems. We found, however, that OW has not established the necessary separation of duties in certain instances.

OW administrative staff responsible for contracting and monitoring the collection of facility rental fees also sometimes receive the fees. In another instance, a Bursar staff member is responsible for establishing accountability over cash received in the mail. Also, occasionally during registration periods this employee functions as a cashier entering receipts on student account records. In each of these instances, by not separating cash-handling activities from recordkeeping activities, OW management increases the risk that a financial transaction will not be handled properly.

It is also inappropriate for payroll office employees, who are responsible for making payroll changes, to have access to paychecks. Payroll checks should be distributed or mailed by staff who are not otherwise connected with payroll preparation.

Contrary to proper internal control procedures, the payroll office received the paychecks from Albany and sorted them by department. While the Bursar normally distributed paychecks to OW staff, we observed that

undistributed paychecks were returned to the payroll office staff two days before the next period's paychecks were received, so they could be distributed along with the new checks. In addition, when a pay day fell during the biannual class registration period when Bursar staff were extremely busy, employees received their payroll checks in the payroll office. Our prior OW report (90-F-15) included similar observations regarding OW's failure to prevent payroll office employees from having access to paychecks.

OW officials believe they generally have adequate separation of duties. They argue that registration periods require the use of all available personnel if students are to receive prompt service. They also note that retirements and a hiring freeze have prevented them from hiring sufficient staff to adequately separate all duties.

Because OW has not separated these financial duties adequately, there is increased risk that internal controls may be compromised. Effective checks and balances exist only when duties and responsibilities are adequately separated among individuals.

Student Disbursement Checks

As previously noted, OW converted to a new accounting system in July 1994. At the time, OW documented that many student accounts receivable showed a negative balance dating as far back as 1984. To offset the negative balances and to, therefore, permit conversion to a new accounting system, OW prepared refund checks to the students totaling $21,253. Given these conditions, a timely, documented review should have taken place to determine if the checks were to be issued or voided. However, checks were on hand as of October 1994 with no determination about whether students were due the check amount.

When we reviewed the October 31, 1994 Bursar's General Account bank reconciliation, we observed that the reconciling items included 18 checks, each of which was worth more than $1,000, that had been outstanding for more than 90 days. The New York State Accounting System User Procedure Manual (Manual) requires that agencies review documentation for any check that is outstanding for more than 90 days. We found that OW was not doing this. OW had not documented the reasons these checks were outstanding. Upon further review, we found that three checks outstanding since June 1994, totaling $8,262, were refunds prepared during the system conversion.

In further support for the need to review outstanding checks, on December 13, 1994, we noted that the Bursar's safe contained over $11,000 of student refund checks. Some of these checks, valued at

$3,539, were more than six months old and as such may not have been negotiable. Prompt disposition of outstanding checks should be made either by subsequent delivery or cancellation and redeposit.

(In response to our draft report, OW officials informed us that student refund checks prepared during system conversion have been reviewed and voided.)

Recommendations

1. Ensure that all checks are endorsed restrictively as soon as practical after receipt.

2. Ensure that all receipts are deposited at least weekly.

3. Implement proper internal control procedures for cash receipts at the Clark Recreational Center, including the issuance of sequentially-numbered receipt forms and the periodic accounting for these receipt forms.

4. Ensure that all receipts collected at the Clark Recreational Center are forwarded on a timely basis to the Bursar.

5. Separate the duties of contracting for campus rental services from those of rent collecting; preclude the Bursar employee who receives and records checks by mail from performing cashiering duties; and ensure that payroll office employees do not have access to paychecks.

6. Require that all checks prepared in support of the maintenance of student accounts are reviewed on a timely basis to determine the need to issue the checks.

7. Review documentation for checks that have been outstanding for 90 days or more, and take appropriate action.

Accounts Receivable

To protect the financial interests of OW and the State, every reasonable effort should be made to ensure that accounts receivable are collected and deposited to the credit of the appropriate accounts. OW needs to improve its procedures and controls over accounts receivable.

Collection Procedures

As of June 30, 1994, OW had approximately $1.412 million of student accounts receivable. About $657,000 of this had been referred to the Attorney General (AG) for collection, $220,000 was from the 1994 Summer session, and $148,000 represented undistributed financial aid and other receipts. The balance, about $387,000, was active receivables. OW's administrative procedures state that every effort should be made to collect outstanding balances, regardless of amount, before referring or writing off an account. They also state that the final semester billing should include a message to the students indicating that if payment is not received, their accounts will be forwarded to the Attorney General (AG) for collection. In addition, SUNY's Administrative Policy allows OW to cancel the registration on the first day of classes of any student who owes funds from the previous semester. At the conclusion of each term, accounts with balances should be reviewed for purposes of referral to the AG.

Our review indicated that OW sends separate letters to students, advising them of the consequences of not paying their outstanding balances. However, accounts are being reviewed and referred to the AG only when time allows. OW officials stated that this is due to staff shortages.

Our review also indicated that because of a problem with its new accounting system, OW lacked the capability to cancel registrations during the 1994 Summer and Fall sessions. According to OW officials, the system can now accommodate this function. In addition, OW officials point out that new deferment procedures have been adopted throughout the SUNY system relaxing the requirement to cancel registrations for students whose financial aid status is pending. We believe that SUNY's current fiscal constraints require OW to make referral of outstanding accounts to the AG a priority. In addition, accounting system problems that impact on accounts receivable should be resolved in a more timely manner.

Vending Machine Commissions

OW has a vending machine contract that requires the vendor to pay OW a stated percentage of sales, with a minimum commission of $4,400 per month. We found that the vendor has paid the stated percentage of sales, but that the remittances have sometimes been less than the required $4,400 minimum. For the 1994 calendar year, this practice resulted in an underpayment of approximately $12,000.

OW officials stated that the OW employee responsible for monitoring the contract was not aware of the minimum payment provision. In addition, they explained that the minimum commission is meant only for certain periods. OW's management agreed that the contract supports the $12,000 underpayment; however, they argued that its intent was that the minimum would be paid only during peak periods of class attendance. Our review of the bids and resulting contract found no mention of restricting the minimum payment to certain periods. In fact, it seems reasonable that the contract would contain a required minimum for the less active periods. We believe, therefore, that the terms of the signed contract should be enforced or amended accordingly.

Facility Rentals

Internal control systems are designed to reasonably ensure that all assets are safeguarded against loss. As previously mentioned, our review revealed that OW has inadequate internal controls over its facility rentals. The department that initiates such rental contracts also collects the payments. In addition, the accounting department is not aware that facilities are being rented before payments are actually received and recorded by the Bursar. Therefore, there is no assurance that OW has charged all renters for the use of its facilities, or that OW is being paid for all facility rentals.

We also found that there is $43,713 in accounts receivable from one outside organization for its rental of campus facilities. Subsequently, OW officials informed us that they have negotiated an agreement that would allow the debtor to repay OW. However, OW planned to deposit the payment into the Old Westbury Foundation Scholarship Fund. Any payments for facility rentals should be deposited into the appropriate OW income fund reimbursable (IFR) account that supports the facility rental activities. The rental of SUNY facilities has nothing to do with the Old Westbury Foundation Scholarship Fund and, therefore, rental fees should not be credited to the Fund. As of July 1995, this matter had not been resolved.

In response to our draft report, OW officials indicated that $18,000 of the $43,713 represented amounts owed to a food service vendor, rather than to OW. OW officials further stated that SUNY Administrative Policy permits the campus chief administrative officer to waive compensation for facility use where additional costs are not significant or where reciprocal services of equal value are provided. In this particular case, officials cited that the facility rental to the outside organization was part of ongoing efforts to foster recruiting, bring cultural activities to the campus, and raise student scholarship funds.

During the audit, we did not find any documentation supporting OW's intent to waive fees. In addition, it is not clear that the outside organization's activities provided any mutual benefit to the campus.

Recommendations

8. Ensure that student accounts receivable are pursued diligently, including making referral of past due accounts to the Attorney General a priority.

9. Ensure that accounting systems cancel in a timely manner the registration of any student on the first day of classes if they have an outstanding balance from the previous semester and are not anticipating receiving financial aid.

10. Collect amounts due from the vending machine concessionaire or amend the contract accordingly.

11. Develop and implement proper internal control procedures concerning facility rentals.

12. Ensure that rental fees from outside organizations, including the amounts cited in this report, are collected and deposited into an appropriate income fund reimbursable account.

Equipment Controls

The fundamental objectives of a system of equipment inventory controls are to safeguard assets against loss or misuse, and to facilitate their efficient utilization. The Manual, as well as SUNY's Central Office Policy and Procedures Manual, provides SUNY facilities with guidelines for establishing and maintaining control over equipment. It is expected that OW will meet these basic requirements. According to the Manual, all equipment is to be inventoried annually by employees who are independent of the area to which the equipment is assigned. All equipment items should be marked as OW property, and items valued at more than $500 should be identified by a permanently-affixed identification number. Equipment utilization records should also be maintained for each item.

OW equipment listings dated March 26, 1994, showed that OW owned 2,566 equipment items that originally cost $6.6 million and would cost $11 million to replace. These items are located throughout 79 OW departments. OW's system for maintaining control over such equipment needs to be improved to guarantee that the inventory is being controlled adequately.

We found that physical inventories are not done annually; and that when they are conducted, they are not done by an employee who is independent of the department where the equipment is assigned. This observation was also made in our prior audit report. Reportedly, the last complete inventory was conducted in April 1992. Although annual inventories are required, we were told that, due to staffing limitations, OW intends to perform inventories every two years. Even by that standard, the April 1994 inventory has not been completed on a timely basis.

Computer printouts that were to be reviewed by each department with instructions to make notations, were to be returned to OW's Facilities and Resource Management Office by April 29, 1994. As of November 10, 1994, 35 (44.3 percent) of the 79 had not been returned. The Property Control Officer did not take action when these listings were not returned by the due date; consequently, the physical inventory was not completed on time and inventory records are inaccurate. As of February 1995, 74 of the 79 departments had reportedly returned the inventory listing. However, as of June 1995, the inventory was still not complete.

The Manual requires that OW's central records accurately reflect the physical inventories at the location units. We compared the items listed on the Receiving Department's inventory listing with the items actually present. While the listing reflected just three equipment items; we noted that a computer, computer monitor, laser printer and piano were also on hand and should have been included in the inventory. OW's management stated that these items were on loan from other departments or were gifts to OW. Nevertheless, the inventory record should be kept current and accurate.

One of the most significant aspects of an equipment control system is the level of equipment utilization. Agencies should be able to identify underutilized equipment and arrange for the disposal or repair of items that are inoperable. However, since OW does not maintain utilization records, there is no way to determine how frequently the equipment has been used, or when each item was last used. In addition, since OW's inventory records have not been updated continuously, there is a risk that equipment appearing on the list as functioning cannot, in fact, be used.

Our inspection of 11 of the 39 items listed on the Grounds Maintenance Department's inventory listing revealed that the recorded condition of equipment items was not always accurate. While the condition listed for 4 of these 11 items was poor or good, we found that none of them were in usable condition. These included a roto mist, an aerator/seeder, a milling machine, and a tractor. The equipment listing should indicate that the items are unusable.

Recommendations

13. Conduct independent equipment inventories on an annual basis.

14. Initiate and maintain equipment utilization records.

15. Maintain accurate and complete equipment inventory records that show the actual condition of items on hand.

Computer Security

Cash collections, accounts receivable and maintenance of student records are important OW management functions that depend heavily on computerized information systems. Therefore, OW should provide for adequate back-up of its computer files that will make it possible to resume processing, even if the production version of the files is lost or destroyed. A particularly important control is the storage of back-up copies of files at a location outside the data processing installation. Off-location storage would assure OW that data processing could continue if the primary installation became inaccessible.

We found that OW's back-up tapes containing student accounting records —the only duplicate copy of such records—were being stored in a safe directly across the hall from the main computer. If a fire or other calamity had occurred, both the records on the computer and the back-up tapes stored nearby could have been destroyed. Thus, OW was risking its ability to perform critical activities, and would have incurred considerable cost in reconstructing the records. When this situation was called to their attention, OW management moved the back-up files to a more appropriate location.

Also, the response of OW's Director of Computing Services to our questionnaire regarding computer system security indicated possible deficiencies in the system. Although compensating controls are reportedly in place, OW does not have a formal, written policy and procedures manual regarding security practices. As a result, OW management cannot be assured that computer security practices are being applied consistently and carried out effectively. According to OW management, such a manual is being compiled.

Recommendations

16. Maintain back-up copies of computer files at a different location from the original processing site.

17. Develop a comprehensive manual of procedures for all aspects of computer security, and distribute the manual to appropriate staff.

Major Contributors to This Report

David DeStefano
Frank Houston
Jerry Barber
Tom Trypuc
Harry Maher
Rodney Washington
Marticia Madory

STATE UNIVERSITY OF NEW YORK

OFFICE OF THE SENIOR
VICE CHANCELLOR
FOR FINANCE AND
MANAGEMENT

System Administration
State University Plaza
Albany, NY 12246

518/443-5179
FAX: 518/443-5245

OFFICE OF THE STATE COMPTROLLER
ROBERT H. ATTMORE
DEPUTY COMPTROLLER

DEC 15 1995

MGMT. AUDIT &
FINANCIAL REPORTING

December 13, 1995

Mr. Robert H. Attmore
Deputy Comptroller
Office of the State Comptroller
The State Office Building
Albany, New York 12236

Dear Bob:

In accordance with Section 170 of the Executive Law, we are enclosing the comments of the State University of New York College at Old Westbury and SUNY System Administration regarding the draft audit report on Selected Financial Management Practices, State University of New York College at Old Westbury (95-S-52).

Sincerely,

William H. Anslow
Senior Vice Chancellor
for Finance and Management

Enc.

Appendix B

State University of New York
College at Old Westbury
Selected Financial Management Practices
95-S-52

Cash and Payroll Check Controls (Pages. 3-6)

Recommendations (Page 6)

(OSC) 1. Ensure that all checks are endorsed restrictively as soon as practical of the receipt.

(SUCOW) 1. We agree.

(OSC) 2. Ensure that all receipts are deposited at least weekly.

(SUCOW) 2. We agree. Normal deposits are made twice per week by an outside armored car service. However, during registration periods, deposits are made daily. Bank deposit procedures are currently being updated as part of the College's administrative procedures.

(OSC) 3. Implement proper internal control procedures for cash receipts at the Clark Recreational Center, including the issuance of sequentially numbered receipt forms and the periodic accounting for these receipt forms.

(SUCOW) 3. The Clark Center is one of the rare satellite cash-collection points at Old Westbury. The turnover of staff there has made it difficult to stabilize a system of control for the type of activities it hosts. While procedures for collection of cash were already in place, a more comprehensive system of internal control is necessary.

(OSC) 4. Ensure that all receipts collected at the Clark Recreational Center are forwarded on a timely basis to the Bursar.

(SUCOW) 4. The above recommendation is a procedure that has always been in place. However, steps are being taken to ensure stricter adherence to the timeliness of the collections transfer.

(OSC) 5. Separate the duties of contracting for campus rental service from those of rent collecting; preclude the Bursar employee who receives and records checks by mail from performing cashiering duties; and ensure that payroll office employees do not have access to paychecks.

(SUCOW) 5. There are two individuals who perform separate and distinct functions.

Currently, Old Westbury's procedures for facilities rental are being incorporated into the Banner System of Accounts Receivable with fees submitted directly to the Bursar.

The Bursar staff member does not apply mail payments; this staff person logs in the mail payments and transfers them to a payment box, where another staff person applies payments to student accounts.

Access to payroll checks by payroll staff is limited to receiving and sorting. As stated, the distribution of checks is done by an area separate and distinct from the Payroll Office. If by chance a payroll date coincides with a registration day, the payroll distribution function may be transferred to the Payroll Office.

(OSC) 6. Require that all checks prepared in support of the maintenance of student accounts are reviewed on a timely basis to determine the need to issue the checks.

(SUCOW) 6. It should be noted that during the period of transition from Unisys to DEC, there were credit balances in student accounts totalling $8,262. Each account was pending investigation to determine the authenticity of its existence. Checks were generated in order to allow the system transition to proceed. The investigation was completed after the system transition, and the checks were voided. These checks were never issued to students; the checks were generated only to bridge the transition between the two computer systems. Check disbursement authorization is a by-product of a reliable student accounting system. Students are entitled to receive refunds after all outstanding charges have been satisfied.

(OSC) 7. Review documentation for checks that have been outstanding for 90 days or more, and take appropriate action.

(SUCOW) 7. We agree. As part of the monthly bank reconciliation, all outstanding checks are appropriately reviewed.

(SU) 1-7. We agree with the recommendations and the College's responses.

Accounts Receivable (Pages 7-9)

Recommendations (Page 9)

(OSC) 8. Ensure that student accounts receivable are pursued diligently, including making referral of past due accounts to the Attorney General a priority.

(SUCOW) 8. SUNY Administrative Policy Item 151 requires all campuses to transfer delinquent accounts to the Attorney General at the end of each semester. Because of the exhaustive efforts used to collect open balances, transfers to the Attorney General are done at the end of the academic year.

(OSC) 9. Ensure that accounting systems cancel in a timely manner the registration of any student on the first day of classes if they have an outstanding balance from the previous semester and are not anticipating receiving financial aid.

(SUCOW) 9. Students are not allowed to register for classes if those students have outstanding balances and are not anticipating receiving financial aid. There is a "hold" placed on a student's record if that student falls within that category.

(OSC) 10. Collect amounts due from the vending machine concessionaire or amend the contract accordingly.

(SUCOW) 10. The literal interpretation of the vending machine contract supports the findings of the auditors regarding this recommendation. However, the intention was to establish the minimum monthly payment of $4,400 in commissions during periods when classes are in session. Changes in the contract are being made.

(OSC) 11. Develop and implement proper internal control procedures concerning facility rentals.

(SUCOW) 11. This recommendation is also contained in recommendation Number 5 above.

(SU) 8-11. We agree with the recommendations and the College's responses.

(OSC) 12. Ensure that rental fees from outside organizations, including the amounts cited in this report, are collected and deposited into an appropriate income fund reimbursable account.

(SUCOW) 12. In 1994, the College entered into a discussion with the Boys Choir of Harlem that would allow them use of the campus facility for a two-week period during the summer months. This represented the beginning of attempting to establish The Boys Choir as an Artist in Residence based here at Old Westbury. In lieu of charging the group, the arrangement called for the Boys Choir to present a concert for fund raising purposes with the proceeds targeted for the College's student scholarship fund. The concert took place on May 11, 1995. Of the $43,713 cited, $18,000 was due and payable to the Marriott Corporation and has since been paid. The remaining $25,000 was

offset from the proceeds of the concert. The College, (in conformance with SUNY Administrative Policy on the Use of University Facilities by Non-Commercial Organizations, Item 008, which states, *" Occasional users shall compensate the University for any additional costs, over and above the normal operating costs, if any, incurred in providing facilities. The chief administrative officer may waive such compensation where the additional costs incurred are not significant or reciprocal services of an equivalent value are provided"),* reserves the right to absorb the fees in this particular case in its ongoing efforts to foster new recruiting strategies, bring new cultural activities to the campus and the surrounding community, and raise funds for student scholarships.

(SU) 12. We agree with the College's response.

Equipment Controls (Pages 10-11)

Recommendations (Page 11)

(OSC) 13. Conduct independent equipment inventories on an annual basis.

(SUCOW) 13. This has been one of the more difficult tasks to maintain and control. The College does not have the resources to dedicate to an annual physical inventory. Consequently, Old Westbury has employed a confirmation process for establishing inventory control. However, it is the expectation of the College to take a physical inventory of all equipment by June 30, 1996.

(OSC) 14. Initiate and maintain equipment utilization records.

(SUCOW) 14. We believe that the procedures contained in the SUNY Property Controls System meet the spirit and intent of this recommendation.

(OSC) 15. Maintain accurate and complete equipment inventory records that show the actual condition of items on hand.

(SUCOW) 15. With the plan for taking a physical inventory in June 1996, it is expected that the records will be updated to reflect the actual condition of items on hand.

(SU) 13-15. We agree with the recommendations and the College's responses.

Computer Security (Page 12)

Recommendations (Page 12)

(OSC) 16. Maintain backup copies of computer files at a different location from the original processing site.

(SUCOW) 16. Agreed. Implementation began during audit.

(OSC) 17. Develop a comprehensive manual of procedures for all aspects of computer security and distribute the manual to appropriate staff.

(SUCOW) 17. The College is currently compiling a procedures manual regarding computer security practices.

(SU) 16-17. We agree with the recommendations and the College's responses.